

BID-ASK SPREAD, ASYMMETRIC INFORMATION AND ULTIMATE OWNERSHIP

Abstract:

We collect the ultimate ownership data for the 1,167 Canadian traded corporations, for the 1994-1996 period, to examine the relationship between stock liquidity and ultimate ownership structure. Our results suggest that the presence of family increases the bid-ask spread. In addition, the magnitude of the deviation between ultimate ownership and ultimate control at the presence of families is important in determining the bid-ask spread. Furthermore, we document that mechanisms of enhancing control, say pyramid at the presence of families, significantly affect bid-ask spreads.

JEL Classification: G32.

Keywords: Market liquidity, ultimate ownership, divergence of cash flow right and control right

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